

# Your Personal Money Manager

# Pearson

## INVESTMENT LETTER

Published Monthly Since 1982  
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**Walter D. Pearson**  
*Chairman*

**Donald E. Pearson**  
*President*

**Ann Hathaway**  
*Account Manager*

### FEATURED STOCKS - JANUARY/FEBRUARY 2014

#### GROWTH STOCKS:

Apple, Inc.  
Autozone, Inc.  
Baidu, Inc.

#### VALUE STOCKS:

CVS Caremark Corp.  
NU Skin Enterprises, Inc.  
Qualcomm, Inc.

#### INCOME STOCKS:

CTC Media, Inc.  
PDL BioPharma, Inc.

## WHAT NOW?

*By Donald Pearson*

As 2013 comes to a close, we all have enjoyed market success better than almost everyone predicted. Most prognosticators had bearish sentiment for the year, and this turned out to be totally incorrect. The economy, jobs, and housing, improved considerably more than anyone thought. As mortgage rates went from the three's to the four's, home prices increased an average of 5% around the country, and here in Florida by 15%, topped by California where home prices grew by 23%. The year also had many negative surprises with the healthcare industry having Obamacare issues that are still trying to be worked out, and gold and silver values plummeting over 25%.

Another issue last year was the performance of bonds and bond funds. Most ended the year with negative results and do not appear ready for any serious turnaround in the near future. As I wrote several times last year, one would be better off buying the company stock and holding it long-term because the yield or dividend is more than the bond's value. If the company stock went up in value, this would be an additional caveat. I don't know if the government will begin to increase interest rates in 2014 or 2015, but once they do, this will have a negative effect on bond values, making them even less attractive compared to where they are today.

Now that we know where we've been, the more important question is what does the future look like. Since the stock market bottomed in 2009, the market has improved by 180%. Momentum is on our

side and without any catastrophic issue occurring I see the market increasing again by 10-12%. The economy should continue to improve, perhaps a bit less this year than last, but opportunities can be found as investors. One must do the homework and be selective, but some areas I particularly like are consumer staples, healthcare, and technology. When searching out these companies do as we do, remember "Value is King."

For those seeking income and stability, last month we featured several ETFs we use as a part of our core base. Here's a great way to build diversification while gaining yield. This month we are featuring two companies that have yields over 4%.

I want to write a bit about are Apple and Biadu. Both performed differently in 2013, but both I believe are poised for an outstanding year in 2014.

Apple (AAPL) closing the year trading at \$ 561 only increased this year by 7%. With many new products ready to be introduced, profitable days appear in their immediate future. Whether it is a new TV system, a wrist watch, or other surprises, they will all impact the bottom line. Some or all of these should be introduced in the first half of the year. Just a few days ago a deal was made with China Mobile to add Apple's phone products to their selling inventory. China Mobile is the largest phone supplier in the world, and this should grow both companies significantly. With a current P/E of 13 and a projected growth rate exceeding that, while at the same time yielding over 2%, this is one that could be purchased for everyone.

Biadu (BIDU) closing the year trading at \$177.88 has increased by 73%. We have owned this right from their startup in 2005 at \$95. Adjusted for a 10 for 1 split a few years ago the stock would be selling for \$1600+, producing a growth of over 1600%. We continue today as we have through the years adding BIDU to most portfolios. For those not familiar with BIDU, they are similar to Google here in our country. With laws and regulations different in China, both Facebook and Google are not there, thus Biadu is the largest and most dominant internet site. We believe their growth will continue favorably again in 2014.

For more information on both please read inside.

## HELP YOURSELF

Many who own their own businesses never remember to pay themselves first. The rules that were in place in 2013 remain the same for 2014. If you would like to add money to your Roth IRA, or get one opened and started, the allotted amount is \$5,500 if you're under 50 years of age, and \$6,500 if you're 50 or older. For those that do not have one, you can contact Ann or me, and we can explain the benefit to you. The money grows tax free, and you are not required to take it out at any time with forced distributions like regular IRAs. As long as you are working and generating a W-2 you can add to this at any age.

**DP**

## HEIRS AND AIRS

I presume that we all know that these two words, though pronounced the same, have two different meanings. The first heir has reference to those you have left behind when you pass away. The second air is what they will inherit if you have not planned ahead. Years ago when I was much younger I thought in terms of Salvation Army and the like instead of allowing my children to participate, but as I grew older I changed my mind. My children are the main participants when I tread the golden path to that higher place. It is now that I am much older that I sometimes wonder why we are all so afraid of dying if we truly believe in the hereafter. Well, be that as it may, I know Christmas gifting is now past, but I intend to give you an idea for a perfect gift at any time to one of those heirs.

I presume that most of you are aware that if you leave a large sum of money to an heir, or heiress, there may be tax considerations of fairly large proportions. However, you are allowed to give each one a gift of \$14,000 or less each year and the gift is totally tax free. I don't know about you but the way I look at it is that I will do almost anything to defeat the tax man that Uncle Sam has working for him.

Here is what I suggest: Open an account with us for each of your heirs with money or some of the stocks that you own and do not want to pay the tax on the profits. What a lovely gift! Let's say that you put in \$1000 for a twelve-year-old. One of the things you should do is to educate that heir or heiress that this should not be spent but should be added to, and then explain the power of compound interest. If one can garner 7% interest each year, his money will double every 10.2 years, or with 12% it would double every six years. His thousand dollars would become a quarter of a million dollars even though nothing was added to that original thousand. As a parent it is your job to teach your children to save. And now that you understand the power of investing it behooves you to impart that knowledge to your progeny.

In my opinion, I believe that the schools should be teaching this sort of thing, but as a parent I truly believe you have that obligation. I see so many young people who just do not have it, and I can't believe the way they spend and waste. I watch and almost shake in disbelief. The question is, what do you want for your children? Do you want them to be free of worry as they get older? It truly is simple enough to teach them, and it does not take too much of your time. I think one of the easiest ways to go is to open an account for each child and teach him how to read it.

Here are some companies that some of you own that have just declared an increase in their dividend; AAN, BCE, SNA, PRU, SU, FMD, VOD, HFC, RLI, IPAR, ESP, JCI, NE, NKE, DCI, BDX, AEH, UVE, MELI, GG, BMO, DIS, PRA, MD, TD, CM, SYK, TD, RY, AMGN, ENSG, GE, PFE.



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**Source Rating Key for PCI's featured stocks:** **Pearson Investment Growth Rating** measures long-term past and future growth.

**Pearson Value Rating** measures current value in terms of potential for the dollar. **Investors Business Daily** measures growth and relative price strength.

**S&P** measures financial quality and growth potential. **Value Line** measures timeliness, value and safety.

Information & data obtained from other sources is believed to be reliable, but its accuracy and completeness can not be guaranteed.

Walter Pearson is the former President of First New England Securities, Co., Inc. and at that time, also managed the Statistical Department.

He is the author of the book, [Investing for the Millions](#) and Publisher Emeritus for the Pearson Investment Letter.

At this time, Mr. Pearson is Chairman of the Board of Pearson Capital, Inc.

He is a contributing columnist for various publications and is listed in [Who's Who in America](#).

**"Remember the Lord your God, for it is He who gives you the ability to produce wealth." (Deut. 8:18)**

**PEARSON CAPITAL'S RECOMMENDED STOCKS JANUARY/FEBRUARY 2014**

[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)

**APPLE, INC. (AAPL) NASDAQ PRICE \$561.02**

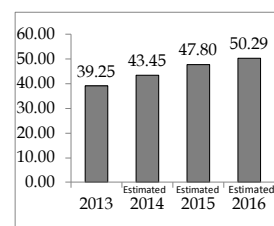
Apple Inc. (Apple) designs, manufactures and markets mobile communication and media devices, personal computers, and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications. The Company's products and services include iPhone, iPad, Mac, iPod, Apple TV, a portfolio of consumer and professional software applications, the iOS and OS X operating systems, iCloud, and a variety of accessory, service and support offerings. In March 2013, the Company acquired a Silicon Valley startup, WiFiSlam, which makes mapping applications for smart phones. Effective July 19, 2013, Apple acquired Locationary Inc. Effective July 20, 2013, Apple acquired Hopstop.com Inc. Effective August 28, 2013, Apple acquired AlgoTrim AB, a Malmö-based developer of prepackaged software. In November 2013, Apple bought PrimeSense Ltd. Effective December 2, 2013, Apple acquired Topsy Labs Inc

Type: Growth  
Sector: Information Technology

Institutional Holdings: 5169  
Industry: Computers & Peripherals

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **14.1**  
Annual Yield: **2.2**  
Annual Dividend: **12.20**  
Investor's Bus. Daily: **C**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Stand & Poor Rating: **B**  
The Street (analyst avg.): **A-**



**AUTOZONE, INC (AZO) NYSE PRICE \$477.94**

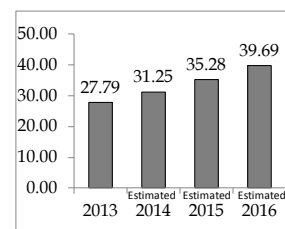
AutoZone, Inc. (AutoZone) is a retailer and a distributor of automotive replacement parts and accessories in the United States. As of August 25, 2012, AutoZone operated 4,685 stores in the United States, including Puerto Rico, and 321 in Mexico. The Company operates in two segments: Auto Parts Stores and Other. The Auto Parts Stores segment is a retailer and distributor of automotive parts and accessories through the Company's 5,006 stores in the United States, Puerto Rico, and Mexico. The Other category reflects business activities that are not separately reportable, including ALLDATA which produces, sells and maintains diagnostic and repair information software used in the automotive repair industry, and e-Commerce, which includes direct sales to customers through www.autozone.com. During the fiscal year ended August 25, 2012 (fiscal 2012), the Company opened 193 stores and relocated 10 stores.

Type: Growth  
Sector: Consumer Discretionary

Institutional Holdings: 1412  
Industry: Specialty Retail

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **16.5**  
Annual Yield: **0**  
Annual Dividend: **0**  
Investor's Bus. Daily: **C**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **C**  
Stand & Poor Rating: **C**  
The Street (analyst avg.): **B-**



**BAIDU, INC (BIDU) NASDAQ PRICE \$177.88**

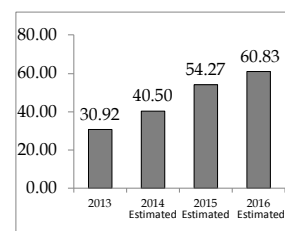
Baidu, Inc. (Baidu) is a Chinese-language Internet search provider. Baidu serves three types of online participants, which include users, customers and Baidu union members. The Company offers a Chinese-language search platform on its Website Baidu.com. It provides Chinese-language Internet search services to enable users to find relevant information online, including Web pages, news, images, documents and multimedia files, through links provided on its Websites. It designs and delivers its online marketing services primarily on its Baidu.com Website to its online marketing customers. During the year ended December 31, 2011, it had approximately 488,000 active online marketing customers. Its online marketing customers consist of small and medium enterprises (SMEs) throughout China, large domestic companies and Chinese divisions or subsidiaries of large, multinational companies. In May 2013, Baidu Inc announced the acquisition of the online video business of Internet video provider PPS.

Type: Growth  
Sector: Information Technology

Institutional Holdings: 1208  
Industry: Internet Software & Services

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **35.1**  
Annual Yield: **0**  
Annual Dividend: **0**  
Investor's Bus. Daily: **A+**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Stand & Poor Rating: **C**  
The Street (analyst avg.): **B+**



**CVS CAREMARK CORP (CVS) NYSE PRICE \$71.57**

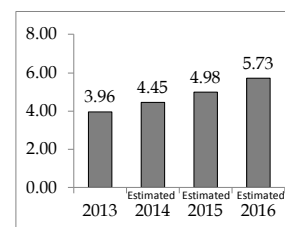
CVS Caremark Corporation (CVS Caremark), together with its subsidiaries, is a pharmacy health care provider in the United States. CVS Caremark provides pharmacy services through its pharmacy benefit management (PBM), mail order and specialty pharmacy division, CVS Caremark Pharmacy Services; approximately 7,300 CVS/pharmacy retail stores; retail-based health clinic subsidiary, MinuteClinic, and its online retail pharmacy, CVS.com. The Company operates in three business segments: Pharmacy Services, Retail Pharmacy and Corporate. Its corporate segment provides management and administrative services to support the overall operations of the Company. In April 2012, Health Net, Inc.'s subsidiary, Health Net Life Insurance Company, sold its Medicare stand-alone Prescription Drug Plan (Medicare PDP) business to a subsidiary of CVS Caremark. In February 2013, it bought Drograria Onofre.

Type: Value  
Sector: Consumer Staples

Institutional Holdings: 2998  
Industry: Food & Staples Retailing

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **19.8**  
Annual Yield: **1.5%**  
Annual Dividend: **\$1.10**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A**  
Morningstar Rating: **C**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **A**



**NU SKIN ENTERPRISES, INC (NUS) NYSE PRICE \$138.22**

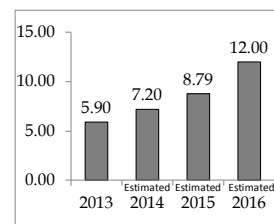
Nu Skin Enterprises, Inc. is a global direct selling company with operations in 53 markets worldwide. The Company develops and distributes anti-aging personal care products and nutritional supplements under its Nu Skin and Pharmanex brands, respectively. As of December 31, 2012, the Company had more than 950,000 distributors. The Company has two primary product categories, each operating under its own brand. It markets its personal care products under the Nu Skin brand and its nutritional supplements under the Pharmanex brand. During the year ended December 31, 2012, approximately 89% of its revenues came from its markets outside of the United States. The Company's ageLOC skin care products accounted for 23% of its total revenue and 43% of Nu Skin sales during the year ended December 31, 2012.

Type: Value  
Sector: Consumer Staples

Institutional Holdings: 545  
Industry: Personal Products

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **28**  
Annual Yield: **0.9%**  
Annual Dividend: **1.20**  
Investor's Bus. Daily: **A+**  
Pearson Growth & Value: **A**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **N/A**



**QUALCOMM, INC (QCOM) NASDAQ PRICE \$74.25**

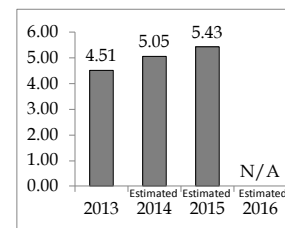
QUALCOMM Incorporated (Qualcomm) is engaged in designing and manufacturing of digital communications products and services based on code division multiple access (CDMA), Orthogonal Frequency Division Multiplexing (OFDMA) and other technologies. The Company operates in four segments: Qualcomm CDMA Technologies (QCT); Qualcomm Technology Licensing (QTL); Qualcomm Wireless & Internet (QWI), and Qualcomm Strategic Initiatives (QSI). The Company develops and supply integrated circuits and system software based on CDMA, OFDMA and other technologies for uses in voice and data communications, networking, application processing, multimedia and global positioning system products. Effective July 4, 2013, Bharti Airtel Ltd raised its interest to 51% from 49% by acquiring a 2% interest in Qualcomm India Pvt Ltd, from Qualcomm Inc. In November 2013, the Company sold its subsidiary, Omnitrac, Inc to Vista Equity Partners.

Type: Value  
Sector: Information Technology

Institutional Holdings: 3469  
Industry: Communication Equipment

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **18.9**  
Annual Yield: **1.9**  
Annual Dividend: **1.40**  
Investor's Bus. Daily: **B**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **C**  
Stand & Poor Rating: **A**  
The Street (analyst avg.): **N/A**



**CTC MEDIA, INC (CTCM) NASDAQ PRICE \$13.90**

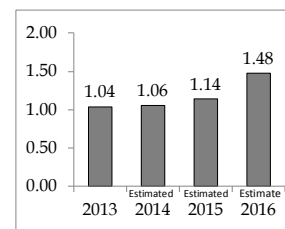
CTC Media, Inc. operates three Russian television networks CTC, Domashny and Peretz. CTC network offers entertainment programming targeted at 6-54 year-old viewers. Domashny network targeted at 25-59 year-old female viewers. Peretz focusing primarily on edgy and comedy programming. Starting January 2013 CTC targets 10 to 45 year-old viewers and Peretz focuses on 25 to 49 year-old viewers. As of December 31, 2012, approximately 100 million people were within the coverage of CTC's signal, approximately 63 million people are within the coverage of Domashny's signal, and approximately 61 million people are within the coverage of Peretz's signal. It also operates Channel 31, a television network in Kazakhstan, and a television channel in Moldova, each offering entertainment programming. In addition, it has in-house production operations focused on series, sitcoms and shows. During 2012, its signals are converted to MPEG-4.

Type: Income  
Sector: Consumer Discretionary

Institutional Holdings: 201  
Industry: Media

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **12.3**  
Annual Yield: **4.7**  
Annual Dividend: **0.64**  
Investor's Bus. Daily: **A**  
Pearson Growth & Value: **B+**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **B**



**PDL BIOPHARMA (PDLI) NASDAQ PRICE \$8.44**

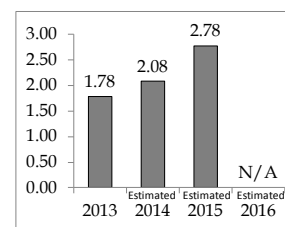
PDL BioPharma, Inc. (PDL) is a biotech company. PDL is engaged in the management of antibody humanization patents and royalty assets, which consist of its Queen et al. patents and license agreements with various biotechnology and pharmaceutical companies. The Company receives royalties based on sales of humanized antibody products marketed and may also receive royalty payments on additional humanized antibody products launched before final expiry in December 2014. It has entered into licensing agreements with numerous entities that are independently developing or have developed humanized antibodies under which it has licensed certain rights under its Queen et al. patents to make, use, sell, offer for sale and import humanized antibodies.

Type: Income  
Sector: Health Care

Institutional Holdings: 421  
Industry: Biotechnology

**Ratings & Recommendations Earnings per share**

Current P/E Ratio: **5.1**  
Annual Yield: **7.1%**  
Annual Dividend: **\$0.60**  
Investor's Bus. Daily: **C**  
Pearson Growth & Value: **A-**  
Morningstar Rating: **N/A**  
Stand & Poor Rating: **N/A**  
The Street (analyst avg.): **B**



Included with this month's edition of our newsletter, you will see many photos of our December 15 Toys for Tots collection party. It is Pearson Capital's honor to be one of the largest collection sites in Hillsborough County, Florida.

I'm sure many of you have noticed the boxes in your local area during the weeks leading up to Christmas day. The history of this charity dates back to 1947, over half a century ago.

In that year, Major Bill Hendricks' wife, Diane, brought him a rag doll that she had crafted and asked him to find an organization that would get it to a needy child for Christmas. When Bill determined that no organization existed, Diane told him he should start one. He did. As a result, Toys for Tots was born. His quest was supported by members of his Los Angeles Marine Corps Reserve unit and, along with that doll, they collected and distributed 5,000 toys to needy children. His program was so successful that in 1948, the Marine Corps adopted it and expanded it nationwide.

In that year, Walt Disney designed the Toys for Tots logo that continues in use today. Disney also designed the first Toys for Tots poster used to promote the nationwide collection.

Today, Toys for Tots is the Marine Corps premier community action program. Over the past ten years, Marines have distributed an average of more than 15,000,000 toys annually, and brought the joy of Christmas to more than 6,400,000 less fortunate children each year.

We at Pearson Capital are proud to be a part of this giving tradition for the past eight years.

**Management Fee:**

*Our fee is extracted quarterly from the account at 25% of one percent by TD Ameritrade. Immediately following any quarterly management fee extraction, it is posted within your account's history information available on line. It is also posted in your TD Ameritrade monthly statement. First Quarter January-February-March-see your January statement.*

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MARKET VIEW *Continued from page 10*

**The new trends continue:**

- 1) Once again, stock yield growth is very important.
- 2) We could have high volatility in the market this quarter.
- 3) Companies will continue to buy back their stocks this year.

**Key Point: We are expecting a good earnings quarter in January.**

**Cash Flows:**

After last quarter's company mergers and IPO's (for example the company Twitter (TWTR)), we expect more to come in the beginning of the new year. If growth will not come from rising demand, dominant companies will still try to gain market share. The companies we own have rising earnings outlooks, and any additional mergers cause an increase of future earnings. We also continue to review companies with rising payouts and look for companies that continue to raise their dividend year after year. Our long term outlook still focuses on both a combination of stock appreciation and dividend appreciation.

**New trends that are happening.**

- 1) Stocks are still increasing their dividend payouts.
- 2) Stocks still have great balance sheets.
- 3) Retail stocks may look worse than I anticipated.
- 4) Stocks we favor will continue to have high profit margins.

**Key Point: Look for more mergers and IPO's.**

**Please note:**

1. This quarter's earnings will determine the direction of the new year.
2. Money is still on the sidelines waiting to come in the market.



Once again Pearson Capital, Inc sponsored the local Toys for Tots campaign here in our South Shore area. Needless to say, it was an amazing success!

Due to the fact that we have grown so much over the past eight years, we relocated our party to the local bowling center, The Alley at SouthShore, and were able to accommodate the larger crowd and expanded toy collection.

This year we amassed over 100 boxes along with 43 bicycles filling a Military transport and 2 Penske trucks with toys for the needy children in our local community and Hillsborough County. Not only was this a record for us but we also brought in almost \$4000 in cash!

Our day was filled with Marines, Santa, our local DJ Gary and hundreds of generous community members that certainly helped to create a magical Christmas morning for our less fortunate families.

A special thanks goes out to The Alley, Costco, and Apollo's Bistro for their contributions to the party and to Huth & Booth Photography who captured the following memories for us.



**Toys for Tots Team 2013**



**The Alley's Melissa Hartmann & Don**



**Santa & The Krewe of the South Shore Marauders**



**The Elettos and Century 21 Beggins**



**"Big" Ed Booth & Santa**



**Pam Vasselo, Melissa Hartman & St Nick**



**Bikes and toys galore!**



**Suzy Wiesenhart with Santa**



**Mr. Claus & Michelle Mosher**



*Happy  
New Year*



**Santa with SSgt Alvin McLean & MSgt Michael Corey**



**Don and Walter Pearson**



**Santa-sized hug!**



**Weichert Realty Staff & Fuzzy Friends**



**Donna Lee Fore & Santa Claus**



**Last minute naughty or nice check!**



**Mike, Stacy Self & Family with MSgt Corey**



**Enjoying the collection party.**



**Penny & John Smith of H&R Block**



**Joe Eletto & Donna Lee Fore**

# Happy New Year



**Marine & South Shore Marauders**



**Edith Calvert & Vaughn Chambers**



**Dan & Jackie Tempel**



**Mike Self & James Pulkowski**



**Michele & Wally Wirth, Michelle Mosher & Todd Rebhahn**



**Don & Mia Zuzack**



**The boxes and toys keep growing!**



**Mr. Claus with Regan Pulkowski**



**Ann and her daughter Alison Finkbiner**



**The Self children with Santa**



*Happy  
New Year*



**Photo op with Mr. Claus!**



**Jennifer Hart clarifies  
Don's request to Santa!**



**Chris Guiley gets a hug from St. Nick!**



**Jeff Boje and staff-  
Melissa, Pam & Andy**



**Hugh Moore seals the  
deal with Santa!**



**Doug King & son Mason**



**Ann with Lois Kindle from  
The South Shore News**



**Marines get help from Santa.**



**Marines loading a military vehicle with toys**



**James Floyd & Tracy Nic from  
Wal-Mart with the team**

# WALL STREET INDEXES

Indexes	2007	2008	2009	2010	2011	2012	2013
S&P 500	3.6%	(40.0%)	23.5%	12.9%	EVEN	13.4%	29.6%
Dow Jones	6.4%	(33.4%)	18.8%	11.0%	5.5%	7.3%	26.5%
Nasdaq	9.8%	(42.1%)	43.9%	16.9%	(1.8%)	15.9%	38.3%
Market Average	5.6%	(38.4%)	27.9%	13.8%	1.2%	12.2%	31.5%



## MARKET VIEW

*Christopher Carothers - PCI's Stock Analyst*

### Economic Flows:



The Federal Reserve has decided to finally begin to stop supporting the market directly and taper its bond buying. In its Federal Open Market Committee meeting, the Fed announced that it would cut its \$85 billion per month in quantitative easing (QE) by \$10 billion starting this month. The cuts will be \$5 billion in mortgage-backed securities and \$5 billion in treasury securities. But, at the same time, the Fed stated that it would not raise short-term interest rates until the unemployment rate falls below 6.5%, and has indicated that it will keep it this way as long as possible. Analysts see the start of the tapering process as a welcome action. QE has allowed the Federal Government to borrow large amounts of money at suppressed interest rates to finance its spending.

We believe that the biggest driver of stock market share prices in 2013 was not just earnings growth, but the continued Price-Earnings-Ratio (P/E) contraction in the market as investors continue to shift from bonds and CD's to stocks. According to my last check of Value Line's indicator, the P/E ratio of their group of stocks has gone from a low of about 10 times earnings in March of 2009 to today's average of 17. This does not indicate that the market is in an extreme high, but to me this contraction will eventually stop, we just don't know when. I believe that the market will move in a tighter range until earnings catch up with its growth rate. With the Fed remaining on the side of pro-growth and reflation, I don't worry about the market because it is probably going to be overvalued for a long time.

### New trends that we see:

- 1) Economic growth is good enough to build momentum for the new year.
- 2) Government, consumers, and banks will continue to de-leverage and pay off debt.
- 3) The housing market will still have a good quarter.

**Key Point: This is the start of the "Taper."**

### Earnings Flows:

As December ends, January starts out the new year with the quarter's earnings reports in the middle of the month. 2013's market has ended up on a high note, and money is still coming into the stock market to start the new year higher. Mutual funds will continue to purchase the best performing stocks until there is an extended market pullback. By this time, investors have already taken tax losses, and are going into the new year looking for more opportunities. December and January are usually known as a positive time for the market, as negative surprises normally do not take place.

Companies are still buying back their own shares, so we believe that this will help out earnings expectations for the next six months. Companies' guidance will be lower and subdued, but I am positive that they can still beat expectations coming into next year.

Continued to page 5

## Pearson Capital, Inc.

P.O. Box 3739  
**Apollo Beach, Florida 33572**  
 Tel: (813) 641 - 7575  
 Fax: (813) 641 - 7755  
**Toll Free: (800) 510-0329**  
**[www.pearsoncapitalinc.com](http://www.pearsoncapitalinc.com)**

Chairman Of The Board  
 Head Of Investment Research  
**Walter D. Pearson**  
 E-mail: [PearsonCap@aol.com](mailto:PearsonCap@aol.com)

President  
**Donald E. Pearson**  
 E-mail: [PearsonCapital@aol.com](mailto:PearsonCapital@aol.com)

Stock Analyst  
**Chris Carothers**  
[PearsonCapital2@yahoo.com](mailto:PearsonCapital2@yahoo.com)

Account Manager  
**Ann Hathaway**  
[PearsonCapital7@gmail.com](mailto:PearsonCapital7@gmail.com)

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